OFFICIAL DOCUMENTS

GRANT NUMBER TF0A5996

Financing Agreement
(Fiscal Stability and Business Environment Development Policy Trust Fund Grant)

between

PALESTINE LIBERATION ORGANIZATION
(for the benefit of the Palestinian Authority)

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Trust Fund for Gaza and West Bank)

Dated December 6th, 2017
AGREEMENT dated as of the Signature Date entered into between PALESTINE LIBERATION ORGANIZATION ("Recipient"), for the benefit of the Palestinian Authority ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "World Bank") acting as administrator ("Administrator") of the Trust Fund for Gaza and West Bank, established on October 19, 1993, by Resolution No. 93-11 and IDA 93-7, as amended by Resolution No. 95-6 and IDA 95-3 and Resolution No. 96-11 and IDA 96-7, and as further amended by Resolution No. 99-3 and IDA 99-2 and Resolution No. 03-193 and IDA 03-208 of the Executive Directors of the International Bank for Reconstruction and Development and the International Development Association ("Trust Fund"), for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") has resolved, on June 9, 2015, to, inter alia, replenish the Trust Fund in the amount of fifty-five million Dollars ($55,000,000), such amount to be transferred from the surplus of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in parts of the Gaza Strip ("Gaza") and the West Bank ("West Bank"), which are under the jurisdiction of the Palestinian Authority;

(B) the Palestine Liberation Organization and the Government of the State of Israel have entered, on September 28, 1995, into an agreement which, among other things, sets out certain interim self-government arrangements in Gaza and the West Bank ("Interim Agreement");

(C) Section 5(b) of Article IX of the Interim Agreement authorizes the Palestine Liberation Organization to conduct negotiations and, in certain cases as described thereunder, sign agreements with states and international organizations for the benefit of the Palestinian Authority;

(D) in December 2007, the Palestinian Authority prepared the Palestinian Recovery and Development Plan ("PRDP") containing a 3-year fiscal framework for 2008-2010 on the basis of which donors committed support at the Paris donor conference held on December 17, 2007. The World Bank assisted in financing the PRDP under three development policy trust fund grant agreements dated June 9, 2008; July 15, 2009; and September 30, 2010, respectively;

(E) in May, 2013, the Palestinian Authority formally adopted the National Development Plan for 2014-2016 ("NDP"). The World Bank assisted in financing the NDP under two development policy trust fund grant agreements dated June 18, 2014 and February 25, 2016, respectively.
(F) in December 2016, the Palestinian Authority formally adopted the National Policy Agenda for 2017-2022 ("NPA"). The World Bank has received from the Palestinian Authority a Letter of Development Policy dated October 10, 2017 setting out the Palestinian Authority’s commitments in implementing the NPA ("LDP");

(G) the Palestinian Authority, on behalf of the Recipient, has requested the World Bank to assist in financing the Program under this Fiscal Stability and Business Environment Development Policy Trust Fund Grant Agreement; and

(H) the Administrator has decided to provide this financing to the Recipient on the basis, inter alia, of: (a) the foregoing; (b) the actions which the Recipient has already taken to the satisfaction of the Administrator under the Program and which are described in Section I of the Schedule to this Agreement; and (c) the Recipient’s maintenance of an appropriate macroeconomic policy framework.

The Recipient and the Administrator therefore hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated February 15, 2012, including the modifications set out in the Appendix to this Agreement ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Administrator agrees to extend to the Recipient a grant, on the terms and conditions as set forth or referred to in this Agreement, in an amount equivalent to thirty million Dollars ($30,000,000) ("Financing").

2.02 The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section IV of the Schedule to this Agreement.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient shall cause the Palestinian Authority to work towards the implementation of, and carry out, the Program with due diligence and efficiency, and in accordance with the provisions of this Agreement;
(b) the Recipient shall cause the Palestinian Authority to exchange, from time to time, views with the Administrator on the progress achieved in carrying out the Program, at the request of either party;

(c) prior to each such exchange of views, the Recipient shall cause the Palestinian Authority to furnish to the Administrator for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Administrator shall reasonably request;

(d) the Recipient shall cause the Palestinian Authority to furnish all information covering the implementation of the Program and the use of proceeds of the Financing as the Administrator shall reasonably request;

(e) without limitation upon the provisions of paragraphs (b) and (c) of this Section, the Recipient shall cause the Palestinian Authority to promptly inform the Administrator of any situation that would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any of the actions which the Recipient has already taken under the Program and which are described in Section I of the Schedule to this Agreement; and

(f) without limitation upon the provisions of paragraphs (b), (c) and (e) of this Section, the Recipient shall cause the Palestinian Authority to participate in consultation meetings with the Administrator and the International Monetary Fund ("IMF"), to take place every calendar quarter (or more often, as required, at the reasonable request of the Administrator or the Recipient.

ARTICLE IV — REMEDIES OF THE WORLD BANK

4.01. The Additional Event of Suspension referred to in Section 4.02 (i) of the Standard Conditions consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be implemented or carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. This Agreement shall not become effective until:

(a) the Administrator is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework; and
(b) evidence satisfactory to the Administrator has been furnished to the Administrator that: (i) the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental actions; and (ii) the Subsidiary Agreement referred to in Section III of the Schedule to this Agreement has been executed between the Recipient and the Palestinian Authority.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (b), there shall be furnished to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator or, if the Administrator so requests, a certificate satisfactory to the Administrator of a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(b) the Subsidiary Agreement referred to in Section III of the Schedule to this Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon the Recipient and the Palestinian Authority in accordance with its terms.

5.03. Except as the Recipient and the Administrator shall otherwise agree, this Agreement shall enter into effect on the date upon which the Administrator dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the Administrator to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Administrator may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the Administrator, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance of the Palestinian Authority.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
Ministry of Finance and Planning  
Palestinian Authority  
Ramallah, West Bank and Gaza  

Telephone: 970-2-297 8846  
Facsimile: 970-2-297-8845  

6.03. The Administrator’s Address referred to in Section 7.01 of the Standard Conditions is:  

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America  

Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391  

AGREED at Ramallah, West Bank, as of the day and year first above written.  

PALESTINE LIBERATION ORGANIZATION  
(for the benefit of the Palestinian Authority)  

By

[Signature]  
Authorized Representative  

Name: Shukry Basham  
Title: Minister of Finance & Planning  

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(as Administrator of the Trust Fund for Gaza and West Bank)  

By

[Signature]  
Authorized Representative  

Name: MARINA WES  
Title: COUNTRY DIRECTOR
SCHEDULE

Program Actions; Program Monitoring; Availability of Financing Proceeds

Section 1. **Actions under the Program**

The actions taken by the Recipient under the Program to the satisfaction of the Administrator include the following:

1. At the direction of PENRA, at least 90 percent of all municipalities, village councils, and DISCOs have opened a separate bank account to deposit funds collected from electricity bills to pay the Palestinian Electricity Transmission Company (PETL).

2. At the direction of the Palestinian Water Authority, at least five (5) Local Government Units (LGUs) have opened a separate bank account to deposit funds collected from household water bills to pay the West Bank Water Department.

3. The Ministry of Health has: (a) signed a memorandum of understanding to establish a framework over the purchase of referral services with at least six (6) national hospitals; and (b) published harmonized standard procedures for medical referrals online.

4. The Ministry of Finance and Planning has issued an instruction mandating the Accounting Department at the Ministry of Finance and Planning and the Projects Department of the Ministry of Local Governments to produce annual reports that include information on: (a) the amount of Ministry of Local Government's capital budget allocated by the Ministry of Local Government per LGU; (b) the amount of revenue deductions or interceptions by the Ministry of Finance and Planning per LGU; and (c) an annex to the existing transportation fees report with the breakdown of each LGUs' share based on the endorsed allocation criteria by the Council of Ministers.

5. The Ministry of National Economy has established and implemented the movable assets registry, which allows firms to secure loans and other financing by using movable assets.

6. The Ministry of National Economy has submitted to the Council of Ministers a new Companies Law that included simplified business registration procedures, new types of companies and shares, and good practices for protecting minority investors and resolving insolvency.

7. The Ministry of Health, in collaboration with the Ministry of National Economy, has submitted to the Council of Ministers amendments to the Annexes of the Law
of Crafts and Industries of 1953 (updating the 3-tier classification of the approvals requested for licensing businesses and the fee structure for licensing).

Section II.  Program Monitoring and Reporting

1. The Recipient shall, through the Palestinian Authority, monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of re-numbered Section 2.05 of the Standard Conditions that set out the progress on the implementation of the Program in accordance with the LDP. Each Program Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Administrator not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall, on request by the Administrator, through the Palestinian Authority, prepare the Completion Report in accordance with the provisions of re-numbered Section 2.05 of the Standard Conditions. The Completion Report shall be furnished to the Administrator not later than six (6) months after the Closing Date.

Section III.  Subsidiary Agreement

1. To facilitate the carrying out of the Program, the Recipient shall make the proceeds of the Financing available to the Palestinian Authority under a Subsidiary Agreement between the Recipient and the Palestinian Authority, under terms and conditions approved by the Administrator.

2. The Recipient shall cause the Palestinian Authority: (a) to perform in accordance with the provisions of the Subsidiary Agreement all of the obligations of the Palestinian Authority therein set forth; (b) to take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Program; and (c) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Program.

3. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Financing. Except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

Section IV.  Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the Administrator may specify by notice to the Recipient.
B. **Allocation of Financing Amounts.** The Financing shall be withdrawn in a single tranche.

C. **Withdrawal Tranche Release Conditions.** No withdrawal shall be made unless the Administrator is satisfied: (1) with the Program being carried out by the Recipient; and (2) with the adequacy of the Recipient's macroeconomic policy framework.

D. **Deposit of Financing Amounts.**

Except as the Administrator may otherwise agree:

1. The Recipient shall cause the Palestinian Authority to open, prior to furnishing to the Administrator the request for withdrawal from the Grant Account, and thereafter maintain, a deposit account ("Deposit Account") on terms and conditions satisfactory to the Administrator.

2. The Deposit Account shall be opened by the Palestinian Authority under the bank account of the Ministry of Finance and Planning of the Palestinian Authority ("Central Treasury Account") and shall be used solely for the purposes of carrying out the Program.

3. All withdrawals from the Grant Account shall be deposited by the Administrator into the Deposit Account.

4. The Recipient shall cause the Palestinian Authority to ensure that upon each deposit of a withdrawal from the Grant Account into the Deposit Account, an equivalent amount is accounted for in the Palestinian Authority's budget management system, in a manner acceptable to the Administrator.

E. **Audit**

The Recipient shall cause the Palestinian Authority to:

1. have the Deposit Account (as defined in Section IV.D of this Schedule) audited by independent auditors acceptable to the Administrator, in accordance with consistently applied auditing standards acceptable to the Administrator;

2. furnish to the Administrator as soon as available, but in any case, not later than six (6) months after the withdrawal of the proceeds of the Financing, a certified copy of the report of such audit, of such scope and in such detail as the Administrator shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Administrator; and
3. furnish to the Administrator such other information concerning the Deposit Account and its audit as the Administrator shall reasonably request.

F. Excluded Expenditures

The Recipient shall cause the Palestinian Authority to undertake that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Administrator determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Administrator, cause the Palestinian Authority to refund an amount equal to the amount of such payment to the Administrator. Amounts refunded to the Administrator upon such request shall be cancelled.

G. Closing Date

The Closing Date is April 30, 2019.
APPENDIX

Section I. Definitions

1. "Council of Ministers" means the Council of Ministers of the Palestinian Authority.

2. "DISCOS" means the electricity distribution companies operating in the West Bank and consisting of JDECO, NEDCO, HEPCO, SELCO, and TEDCO.

3. "Excluded Expenditure" means any expenditure:
   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the World Bank has financed or agreed to finance, or which the World Bank has financed or agreed to finance under another trust fund credit, or trust fund grant;
   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
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</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
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<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
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<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
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<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements</td>
</tr>
<tr>
<td>Group</td>
<td>Sub-group</td>
<td>Description of Item</td>
</tr>
<tr>
<td>-------</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>(cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws in effect in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority or international agreements to which the Recipient or the Palestinian Authority is a party;

(e) in the territories (other than the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority) of any country which is not a member of the World Bank or for goods procured in, or services supplied from, such territories;

(f) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(g) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Palestinian Authority or of a beneficiary of a Financing without the Recipient having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

5. "JDECO" means Jerusalem District Electricity Company, the company responsible for power distribution in the central part of the West Bank, registered in the company register No. 51-052349-1 on August 4, 1969.

6. "Local Government Unit" or "LGU" means local government units, including municipalities, and village councils.

7. "Ministry of Finance and Planning" means the Ministry of Finance and Planning of the Palestinian Authority, or any successor thereto.

8. "Ministry of Health" means the Ministry of Health of the Palestinian Authority, or any successor thereto.

9. "Ministry of Local Governments" means the Ministry of Local Governments of the Palestinian Authority, or any successor thereto.


11. "NEDCO" means Northern Electricity Distribution Company, the company responsible for power distribution in the northern part of the West Bank, registered in the company register No. 562601203 on January 14, 2008.

12. "Palestinian Water Authority" means the Borrower's Palestinian Water Authority, or any successor thereto.

13. "PENRA" means the Palestinian Energy and Natural Resources Authority, a public authority established and operating in the parts of the West Bank and Gaza under the jurisdiction of the PA pursuant to Decree No. 12/1995 of the Ra'ees of the PA, dated August 31, 1995, or any successor thereto.

14. "PETL" means the Palestinian Electricity Transmission Company Limited established under the Recipient's Companies Law No.12 of 1964 and its amendments, as a Shareholding Public Company, and registered in the record of shareholding companies under No. 562601377 on November 20, 2013.

15. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty, as set forth or referred to in the NDP and outlined in the LDP, declaring the Recipient's commitment to the implementation and execution of the Program and requesting assistance from the World Bank in support of the Program during its execution.
16. "SELCO" means Southern Electricity Distribution Company, the company responsible for power distribution in the southern part of the West Bank, registered in the company register 562439422 on January 16, 2002.

17. “Signature Date” means the later of the two dates on which the Recipient and the Administrator signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the Standard Conditions.

18. “Subsidiary Agreement” means the agreement referred to in Section III of the Schedule to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.


20. “West Bank Water Department” means the West Bank Water Department established by Law No. 12 in 1966 and transferred under the control of the Palestinian Authority in 1995.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Sections 2.01 (Project Execution Generally) and 2.07 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

   "Section 2.04. (Documents; Records). The Recipient shall ensure that:

   ... (c) all records evidencing expenditures under the Financing are retained until two years after the Closing Date;"

4. Paragraph (b)(ii) of Section 2.05 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

   "Section 2.05. (Program Monitoring, Reporting and Evaluation). The Recipient shall:
... (b)(ii) ensure the preparation and delivery to the World Bank, not later than the date specified for that purpose in the Financing Agreement, one or more completion reports ("Completion Reports") of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Financing Agreement and the accomplishment of the purposes of the Financing."

5. Section 2.07. (Visits) (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

"Section 2.07. Visits. The Recipient shall, throughout the implementation of the Program and for a period of ten (10) years thereafter:

(a) enable representatives of the World Bank and the IMF to visit any part of the West Bank and Gaza under the jurisdiction of the Palestinian Authority for purposes related to the Financing; and

(b) enable the World Bank's representatives and the IMF's representatives: (i) to visit any facilities and sites included in the Program; and (ii) to examine any documents relevant to the performance of its obligations under the Financing Agreement."

6. The last sentence of paragraph (c) of Section 3.04 (Applications; Supporting Evidence) is deleted in its entirety.

7. Sections 3.05 (Designated Accounts) and 3.06 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article III are renumbered accordingly.

8. Sub-section (a) of Section 3.05 (Financing Taxes) (renumbered as such pursuant to paragraph 7 above) is modified to read as follows:

"Section 3.05. Financing Taxes.

(a) The Financing Agreement may specify that the proceeds of the Financing may not be withdrawn to pay for Taxes levied by, or in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Financing specified in the Financing Agreement, as
required to ensure consistency with such limitation on withdrawals."

9. Sub-sections (a) and (h) of Section 4.02 are deleted, and consequently, Sub-sections (b) through (k) are re-lettered as Sub-sections (a) through (i).

10. Re-lettered Sub-section (b) of Section 4.02 is amended to read as follows:

   "(b) Fraud and Corruption. At any time, the World Bank determines that any representative of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any other recipient of any of the proceeds of the Financing) has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Financing, without the Recipient (or any such agency thereof or any such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority or any other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur."

11. Re-lettered Sub-section (c) of Section 4.02 is amended to read as follows:

   "(c) Cross Suspension. IBRD or IDA has suspended in whole or in part the right of the Recipient or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient, or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, to perform any of its obligations under such agreement or any other agreement with IBRD or IDA."

12. Re-lettered Sub-section (f) of Section 4.02 is amended to read as follows:

   "(f) Assignment of Obligations; Disposition of Assets. The Recipient or any other entity responsible for implementing any part of the Program has, without the consent of the World Bank: (i) assigned or transferred, in whole or in part, any of its obligations arising under or entered into pursuant to the Financing Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Financing; provided, however, that the provisions of this paragraph shall not apply with respect to transactions in the ordinary course of business which, in the opinion of the World Bank: (A) do not materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Financing Agreement or to achieve the objectives of
the Program; and (B) do not materially and adversely affect the financial condition or operation of the Recipient (or such other entity).”

13. Re-lettered Sub-section (g) of Section 4.02 is amended to read as follows:

“(g) **Condition of Recipient.** If the Financing has been made to a Recipient which is not a member of IBRD:

(i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or of any other entity responsible for implementing any part of the Program).

(ii) The Recipient (or any other entity responsible for implementing any part of the Program) has ceased to exist in the same legal form as that prevailing as of the date of the Financing Agreement.

(iii) In the opinion of the World Bank, the legal character, ownership or control of the Recipient (or any other entity responsible for implementing any part of the Program) has changed from that prevailing as of the date of the Financing Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Financing Agreement, or to achieve the objectives of the Program.”

14. Re-lettered Sub-section (h) of Section 4.02 is amended to read as follows:

“(h) **Ineligibility.** IBRD or IDA has declared the Recipient ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of any financing made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by such financier.”

15. Sub-section (c) of Section 4.03 is amended to read as follows:
“(c) Fraud and Corruption. At any time, the World Bank determines, with respect to any amount of the proceeds of the Financing, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any other recipient of the proceeds of the Financing) without the Recipient (or any such agency thereof or any such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any such other recipient of the proceeds of the Financing) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

16. Sub-section (a) of Section 4.05 is amended to read as follows:

“(a) If the World Bank determines that an amount of the Financing has been used in a manner inconsistent with the provisions of the Financing Agreement or these Standard Conditions, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank. Such inconsistent use shall include, without limitation:

(i) use of such amount to make a payment for an expenditure that is not an Eligible Expenditure; or

(ii) (A) engaging in corrupt, fraudulent, collusive or coercive practices in connection with the use of such amount, or (B) use of such amount to finance a contract during the procurement or execution of which such practices were engaged in by representatives of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other recipient of such amount of the Financing), in either case without the Recipient (or such agency thereof or such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

17. Sub-section (j) of Section 5.03 is amended to read as follows:

“(j) If, within thirty (30) days after counterparts of the award have been delivered to the parties, the award has not been complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the
award and the provisions of the Financing Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Recipient except as such procedure may be available otherwise than by reason of the provisions of this Section.”

18. Paragraph (17) of the Appendix is deleted and, consequently, paragraphs (18) through (26) are re-numbered as paragraphs (17) through (25).

19. The following terms and definitions set forth in the Appendix to the Standard Conditions are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix to the Standard Conditions as follows, with the terms being renumbered accordingly:

   (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

      “Eligible Expenditures” means any use to which the Financing is put in support of the Program other than to finance expenditures excluded pursuant to the Financing Agreement.

   (b) The term “Financial Statements” and its definition as set forth in the Appendix to the Standard Conditions are deleted in their entirety.

   (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

      “Program” means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these Standard Conditions are deemed to be references to “Program”.
